Annual Report

2013-2014

Message from the CEO and Board of Directors Chair 1

3sHealth Board of Directors 2

Progress and accomplishments 3

Improving quality and generating cost savings 3

Business cases 5

Enterprise risk management 5

Environmental services 6

Information technology / information management 6

Medical imaging and medical laboratory services 6

Provincial linen services 7

Supply chain 8

Transcription services 8

Workflow optimization - enterprise resource planning project 9

Service lines 10

Employee benefits plan 10

Information management 11

Materials management 12

Management's discussion and analysis 13

Enterprise risk management 13

ERM governance 13

Key ERM activities, 2013 - 14 15

Significant risk areas 15

2013 - 14 financial highlights 16

Management's responsibility for financial statements 18

Financial Statements of Health Shared Services Saskatchewan 19

Andrew Will
CEO, 3sHealth

Jim Rhode
Chair, 3sHealth Board

Message from the 3sHealth CEO and Board Chair

On behalf of the 3sHealth Board and senior leadership team, we are pleased to present the 2013-14 annual report.

3sHealth staff worked alongside health region and Saskatchewan Cancer Agency (SCA) employees throughout 2013-14 to make improvements that will improve quality and generate savings for the healthcare system. We are deeply proud of the work and contributions that our staff, staff from the health regions, and SCA employees have made to support shared services initiatives.

Through our collective continuous improvement efforts, 3sHealth and our partners have exceeded the cost savings targets, producing over $23 million in savings for the healthcare system in 2013-14. In addition, 3sHealth worked with the health regions to produce quality and safety improvements that will ensure our healthcare system is effective and efficient. For example, we worked with various health regions to roll out improved linens, towels, and bed pads that enhance patient comfort as well as infection prevention and control efforts.

3sHealth worked together with our partners to develop seven new business cases in 2013-14 to identify potential shared service line opportunities. Employees worked hard to develop the business cases and move them towards and through the decision-making process. Staff also worked closely with our external partners, collaborating extensively to achieve the health system's goal of thinking and acting as one.

3sHealth staff continued to provide excellent service to our regional and agency partners in the areas of payroll services, benefits administration, and materials management. As well, employees enthusiastically participated in and supported the implementation of the Lean management system, and as a result we have strengthened existing processes and generated new improvement ideas to better serve patients, families, health regions, and the SCA.

Through ongoing partnerships, 3sHealth, the health regions, and the SCA continue to put patients first and transform healthcare together.

3sHealth Board of Directors

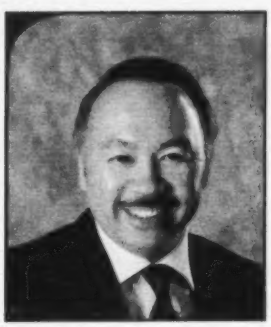
Jim Rhode
Chair, 3sHealth Board

Brian Barber
Vice-Chair

Rennie Harper
Chair, Stakeholder Relations & Business Development Committee

Kyle Jeworski

Grant Kook
Chair, Policy & Governance Committee



Karen Knelsen

Arnie Shaw
Chair, Audit, Finance & Risk Committee

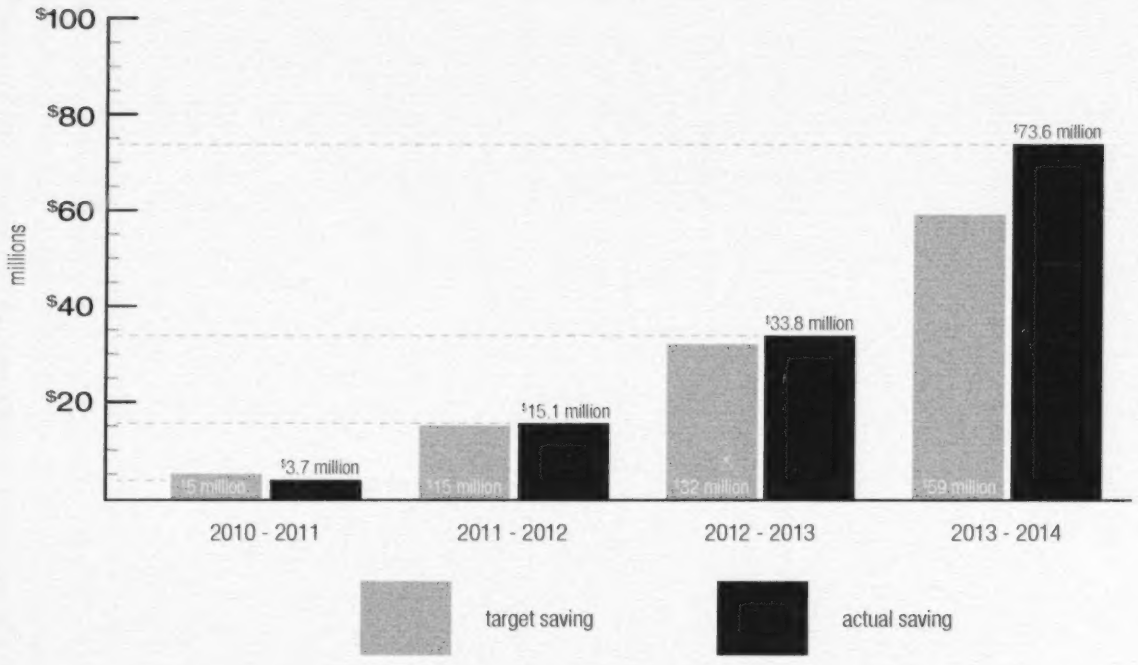
Twyla Meredith

Progress and accomplishments

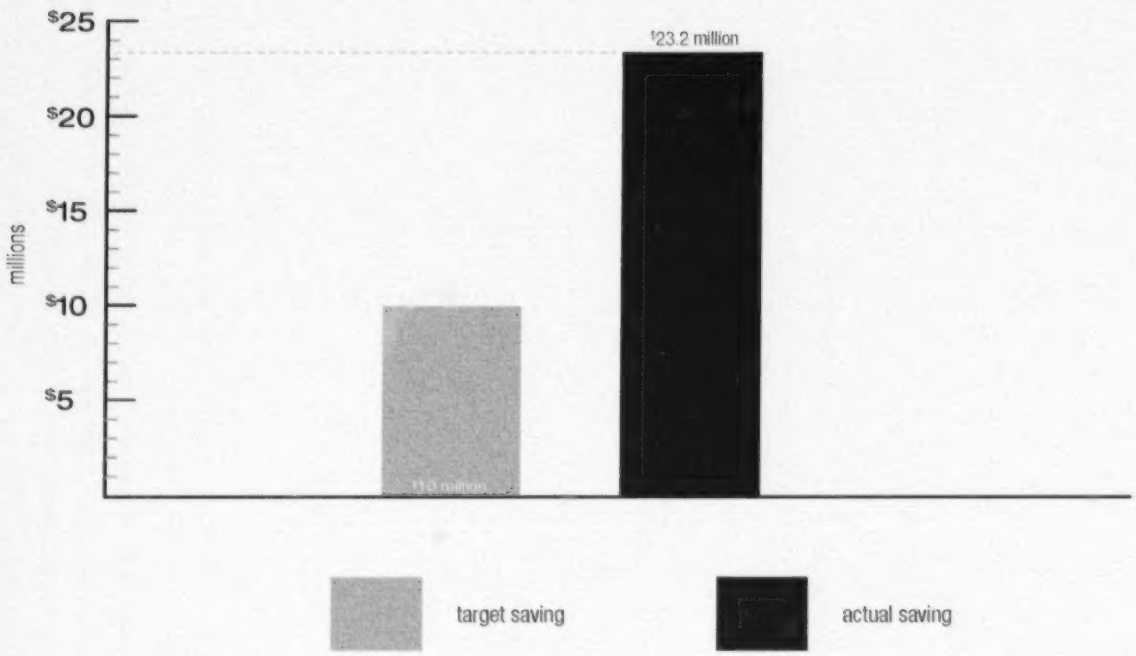
Improving quality and generating cost savings

Savings for 2013-14 reached $23.2 million, exceeding the annual target of $10 million. This brings the shared services cumulative savings at March 31, 2014 to $73.6 million.

Cumulative savings



2013 - 2014 health system savings



In partnership with the health regions and the Saskatchewan Cancer Agency (SCA), 3sHealth negotiates national and provincial contracts to secure cost savings for the provincial healthcare system. Standardized products, services, and processes result in quality improvements, which leverage cost savings that can be redirected to patient care. The available new savings as a result of group purchasing contracts with national and provincial partners is $7.8 million. Vendor and HealthPRO (our group purchasing national partner) dividends and rebates amount to an additional $3.3 million annually.

The competitive contracting process for new cardiac supplies is well underway, and 3sHealth is currently in the proposal evaluation stage. To reduce immediate costs, 3sHealth has worked with vendors to establish price harmonization for existing cardiac services, either by offering rebates based on volume purchased or by decreasing pricing. The result is an impressive $1.5 million in one-time savings.

The contract for hemodialysis equipment and consumables (such as needle blood lines) was negotiated in 2013, and over the next two years, new hemodialysis machines will be installed across the province. One-time savings realized in 2013-14 were $691,000 for equipment and $132,000 for consumables. This contract for a provincial fleet is the first of its kind in Canada.

The new laundry delivery depot opened in Saskatoon by K-Bro Linen Systems Inc. has saved the health system $11.7 million in capital cost avoidance to date. The facility will implement best practices to ensure high standards of infection prevention and control, and to meet quality requirements for the Saskatoon Health Region. An additional $473,000 in savings was achieved through better quality linen products that can be laundered more efficiently.

Business cases

3sHealth has worked in partnership with the health regions and the Saskatchewan Cancer Agency (SCA) to develop business cases that identify opportunities to improve several service lines through a shared services delivery model.

The first business case that 3sHealth developed was for linen services. In 2013, a new provincial linen service, which will result in improvements to patient safety and care as well as significant cost savings for the province, was approved for implementation. The 2013-14 fiscal year saw the development of eight new business cases in the following areas:

- Supply chain services
- Environmental services
- Transcription services
- Enterprise risk management
- Medical imaging
- Medical laboratory services
- Information technology / information management
- Enterprise resource planning project

Enterprise risk management

Enterprise risk management (ERM) is a structured and disciplined approach to aligning strategy, people, process, tools, and knowledge. It seeks to evaluate and manage risk on an integrated basis. This supports the achievement of organizational and system-wide objectives for the benefit of patients and families. Representatives from the health regions, SCA, and 3sHealth worked together to develop a recommendation for a provincial ERM solution that supports the development of provincial and organizational strategies and the achieving of related objectives.

This business case recommends a consistent best-practice approach to enterprise risk management, supporting the health regions, SCA and the Provincial Leadership Team as they seek

to achieve their strategic priorities. This solution supports developing a consistent framework, tools, processes, training, facilitation of risk assessment workshops, support, and provincial reporting. The recommended ERM solution will integrate with the province's annual strategic planning process. The ERM business case has not yet been considered for a decision.

Environmental services

Environmental services in healthcare facilities is an integral part of the patient experience, supporting infection prevention and control, patient and family satisfaction, workplace safety and wellness, and public perception and trust. For these reasons, a business case to examine options for shared services in the area of environmental services was developed.

Stakeholders from across the province identified enhancing patient safety through infection prevention and control, improving access to care through better patient flow, increasing patient and public confidence through patient satisfaction and facility cleanliness, and improving efficiencies and quality as key principles. The business case recommends the following improvements: the creation of uniform, province-wide cleaning standards; the development of training programs to ensure staff members have the knowledge to implement the standards; and accountability mechanisms to ensure the standards are being followed. These include consistent performance monitoring, independent quality audits, and public reporting of results.

Information technology / information management

Information technology / information management (IT/IM) services play a key role in the delivery of effective, quality patient care. To enable the achievement of health outcomes for patients, IT/IM services must be aligned provincially to health sector priorities and plans. In the current healthcare system, IT/IM services are not managed or delivered on a consistent, province-wide basis.

In 2013-14, 3sHealth and eHealth Saskatchewan worked with healthcare system stakeholders to develop a business case for information technology and information management. The business case decision was postponed and eHealth was asked to do further work in 2014-15 to better inform the decision. 3sHealth is committed to supporting this work.

Medical imaging and medical laboratory services

In 2013-14, 3sHealth worked with the health regions and SCA to identify improvement opportunities for diagnostic services within the province. The medical imaging and medical laboratory services project teams examined the current state by gathering data, finding gaps in information, and identifying key quality issues. Throughout that process, the teams engaged in ongoing conversations with service delivery personnel, patients, and physicians.

As the project team identified improvements that would meet the short- and long-term needs of diagnostic services within the province, it focused on areas such as quality, safety, equipment, human resources, and access. After charting projected demand for and cost of diagnostic services within the province, the team determined that one key to generating savings lies in lowering the cost curve rather than realizing immediate savings.

Medical imaging stakeholders at a mini-visioning session in November 2013.

Medical imaging and medical laboratory services influence diagnosis and treatment decisions for patients and their families. As such, these services are integral to a sustainable, safe, high-functioning healthcare system. Improvements in diagnostic services promise to benefit all of the citizens of Saskatchewan.

These two business cases were in the final stages of development at the end of the 2013-14 fiscal year, and they will proceed through the decision-making process in 2014-15.

Provincial linen services

In May 2013, the decision to create a new provincial linen service was announced. The announcement was the culmination of several months of collaborative work between 3sHealth and the health regions. That collaboration resulted in the development of a robust business case that examined several service options. The process determined that the optimal way to rebuild the central laundry system was to outsource the service to a third party, K-Bro Linen Systems Inc. (K-Bro).

In December 2013, K-Bro and 3sHealth signed a contract that includes the following elements:

- K-Bro will own and operate a new state-of-the-art plant in Regina. 3sHealth will administer the contract with K-Bro on behalf of the Saskatchewan health system. The term of the contract is 10 years with an option of two additional three-year terms.
- The processing plant will ensure the highest standard of infection prevention and control, improve the quality of linen and linen service, and improve employee safety.
- Once the service is fully implemented, it will generate expected savings of $98 million over 10 years.
- The agreement features quality audits, agreed-upon service levels and penalties for non-compliance; these do not exist in the current system.
- Health regions and facilities will be able to choose from a menu of services and cost levels to meet current and future service requirements.

In preparation for the successful transition to the new linen service, 3sHealth is working with its partners in the health regions and the Saskatchewan Cancer Agency to create winning conditions. Several Lean activities and events have taken place, and tools have been developed that will be useful in implementing efficiencies in linen services throughout the province. These initiatives will

help regions and facilities manage inventory efficiently and maintain effective infection prevention and control standards. A detailed transition plan is being developed. The new plant is scheduled to open in June 2015, and the transition will be completely implemented by the end of December 2015.

In the 2013-14 fiscal year, several initiatives found cost savings for the system. For example, new microfibre products, conversion to a plastic bag collection system for soiled linen, "just-in-time" inventory management, and other operational initiatives generated savings of $473,000 for the healthcare system. These improvements will also enhance the patient experience, meet infection prevention and control standards, improve worker safety, and reduce environmental impact.

Supply chain

The vision for a provincial supply chain model developed by all the business case partner organizations, including the health regions, Saskatchewan Cancer Agency, and 3sHealth, is to implement an integrated supply chain system that will improve the quality of healthcare for patients and their families while achieving cost savings. The model supports the "just-in-time" concept of having the right products at the right time in the right place in the right amount. It also uses a visual signal inventory process for ordering and replenishing supplies, enhancing the patient experience by eliminating delays in clinical process.

An integrated supply chain system will ensure the right people are doing the right job by aligning skill level with task, allowing clinicians to spend less time managing supplies and more time providing patient care. Creating a standard set of processes for the supply chain cycle (procurement, warehousing and inventory control, delivery, distribution to end-users, and payment) will create efficiencies, improve the flow of supplies, and strengthen patient outcomes. Implementing a provincial supply chain model will create estimated savings of $21.3 million over 10 years.

Transcription services

The goals of transforming how transcription services are delivered in Saskatchewan are to:

- Improve timeliness, accuracy, and completeness of patient information through the standardization of policies, processes, and technologies;
- Improve workflow and tools supporting dictation to enhance the process for physicians;
- Optimize the use of voice recognition software; and
- Promote the integration of transcribed information to electronic medical records.

The transcription services business case will significantly:

- Improve quality and safety for patients and families by building on the improvements already underway in many organizations;
- Improve the flow of patients, flow of providers, and flow of information by leveraging and standardizing technology including voice recognition;
- Support change management required to standardize processes;
- Create a provincial pool of transcription work to level workloads; and
- Eliminate the delay in the transcription process.

This year, 3sHealth worked with health regions and the Saskatchewan Cancer Agency to develop a business case that will effectively transform how transcription services are delivered in Saskatchewan.

A Rapid Process Improvement Workshop on transcription services with Cypress Health Region in March 2014.

Workflow optimization – enterprise resource planning project

On October 15, 2013, the Council of CEOs unanimously endorsed the recommendation to proceed with the procurement of an enterprise resource planning (ERP) system for the health sector in Saskatchewan. A robust ERP solution, once fully deployed, will integrate payroll, benefits, staff scheduling, finance, supply chain, and business intelligence functionality across the entire provincial healthcare system.

This year, 3sHealth began engaging the health regions and the Saskatchewan Cancer Agency to determine system requirements and start the process of procuring an ERP solution.

Service lines

Employee Benefits Plan

3sHealth administers employee benefits, including extended health and dental, group life, and disability income, to approximately 42,000 employees of 90 healthcare-related organizations in Saskatchewan. This comprehensive program provides security and stability to healthcare employees and their families.

In the 2013-14 fiscal year, all 3sHealth benefit plans are fully funded and have surpluses that can be used to stabilize premiums and contributions from both employers and employees. The Group Life Plan experienced a loss this year due to an unexpected number of claims. This loss will be covered by reserve funds held at Great-West Life and 3sHealth.

Over the past year 3sHealth was able to capture savings for plan members in two areas: the Disability Income Plan and the Retiree Benefit Plan. A decrease in Disability Income Plan contribution rates for the Saskatchewan Union of Nurses, Service Employees International Union - West, and Canadian Union of Public Employees plans will create projected savings of approximately $5.1 million for health sector employers and employees. In addition, members of the Retiree Benefit Plan received refunds and rate decreases as a result of successful contract negotiations with the plan provider Group Medical Services.

2013-14 by the numbers:

Plan	Number of claims	Premiums sent to Great West Life	Benefits paid
Group Life	156	$10,110,261	$12,067,572
Disability Income	2,902	$47,883,412	$33,072,748
Extended Health	901,929	$30,654,798	$26,932,147
Dental	411,172	$31,812,483	$27,864,907

Payroll:

In 2013-14, 3sHealth moved to an online payroll reporting process in conjunction with the Regional Health Authorities, Saskatchewan Cancer Agency (SCA), and affiliate organizations. Before making the switch to an electronic means of report generation and distribution, 3sHealth printed, sorted and shipped paper payroll reports to each healthcare sector employer on a biweekly basis. The process was slow (where the information transfer was measured in days), costly (in terms of processing, packaging and shipping), and identified a risk of confidential information being lost or compromised. Today, the regions log in to a secure server and download their reports; they can either print these documents or save them electronically. The information is secure and available within minutes, not days. No information needs to be sent via courier, which means that nothing needs to be physically received by each of the employers. As well, the chances of errors associated with sorting and distribution are now reduced.

For 3sHealth, the benefits include:

- Savings of $22,000 over the last three months of the fiscal year (from lower printing and related contract costs) that were redirected to other 3sHealth operations
- Reduced paper consumption by 85 per cent or 55,000 sheets of paper per month
- 275 sq. ft. of available office space – enough for three employees – where payroll printing, sorting and distribution activities were previously housed
- Eliminated courier costs associated with physically distributing payroll reports to each employer

For the employers, benefits include:

- More timely access to electronic reports
- Increased security of confidential information
- Reduced reliance on manual, internal distribution of paper
- The ability to search and view information electronically without having to sort through paper files. In the past, paper payroll reports were distributed to employees who work in the areas of payroll, benefits, finance, and HR. After receiving the records, employees then had to physically process them. The work was labour intensive and time consuming, as they had to receive reams of paper from loading docks, sort it, and distribute it within their organizations. They also had to find long-term storage to house all the paper reports that accumulated over time.

3sHealth continued to make enhancements to our electronic payroll system to benefit over 42,000 healthcare employees in the province.

Scheduling:

In December 2013, 3sHealth met with health regions and SCA representatives to discuss how to improve staff scheduling across the healthcare system. Six areas were identified as having potential for improvement, including greater flexibility for employees to select shifts and more efficient scheduling processes to benefit both managers and staff. This work involved bringing

health employers together to determine best practices and start the process of determining how these practices could be replicated across the system.

Gateway Online:

In November 2013, the Gateway Online project wrapped up and transitioned to operations. The project delivered a secure, web-based employee information solution that employees from across the province can access to find paperless pay statements, make changes to their personal information, create a talent profile, and apply for jobs anywhere in the Saskatchewan healthcare sector. Managers also use Gateway Online to add or update position information.

To ensure that Gateway Online would be a success, important work in the area of standardizing definitions and processes occurred, work which will be fundamental to future improvements in the area of enterprise resource planning.

Materials management

The regions, some affiliate agencies, the SCA, and the 3sHealth materials management team work collaboratively to procure products and supplies under national, provincial, and multi-provincial group purchasing agreements. The healthcare system has achieved $7.8 million in available new savings for this fiscal year. Engagement increased significantly this year, especially related to the process of securing clinically complex contracts, with administrative and clinical stakeholders participating throughout the competitive contracting process.

Through shared services initiatives, 3sHealth is working with its partners to standardize products, services, and processes that result in quality improvements and leverage cost savings that can be redirected to patient care. An integrated supply chain system will help reinforce a positive patient experience, ensuring safe, consistent care for patients and families across the province.

All regions have implemented Global Healthcare Exchange (GHX), a software system that enables organizations to efficiently manage group purchasing contracts. GHX automates and streamlines supply chain operations and reduces redundancy.

The provincial materials management committee and suppliers have spent the last year building relationships, and participation and support from all stakeholders continues to grow as the partners share their collective expertise to establish best practices for daily work. Materials management colleagues across the province are working to develop a cohesive supply chain process.

Management's discussion and analysis

Enterprise risk management

Since January 2013, 3sHealth has taken steps to implement a formal enterprise risk management (ERM) program to help actively manage risks related to our strategic objectives.

ERM governance

While managing enterprise risk is the responsibility of everyone in an organization, 3sHealth has assigned accountability for the following specific duties:

Board of Directors

The Board of Directors has established an ERM policy which outlines high-level risk management roles for 3sHealth management and Board members. The Board is responsible to approve 3sHealth's risk appetite statement, and it will review risk information annually as part of the organization's strategic planning processes. Oversight responsibility for this function has been delegated to the Audit, Finance and Risk Committee.

Audit, Finance and Risk Committee

The Audit, Finance and Risk Committee provides oversight of the ERM program at 3sHealth. The Committee receives reports from management that summarize the results of risk assessments. As the program matures, quarterly reporting will include information on risk prioritization and treatment. In addition, the Committee holds regular in-camera sessions with the Executive Director of Internal Audit and ERM, during which risk topics may be discussed.

While each Board Committee supports the Board's risk management oversight in areas related to its specific mandate, the Audit, Finance and Risk Committee assists the Board in its oversight of risk management, seeking to:

- Assist the Board in understanding the principal risks to the organization;
- Discuss with management 3sHealth's major policies with respect to risk assessment and risk management;
- Monitor management's systems to identify, monitor, manage and control risks; and
- Review pending and ongoing litigation in order to assess potential costs and other impacts (this is reported to the Committee as a separate item from ERM).

Senior Leadership Team

The senior leadership team (SLT) is responsible to recommend an appropriate risk appetite for approval by the Board of Directors. The SLT has established the Risk Management Committee for day-to-day involvement in ERM processes; however, the SLT retains responsibility to approve risk management strategies recommended by that group.

The Chief Executive Officer has overall responsibility for the implementation of a strategic, comprehensive and systematic ERM process throughout the organization. The CEO ensures that there is a process to identify and mitigate risks as part of the annual planning cycle, and that strategic initiatives are assessed for risk. The overall responsibility of the SLT is to guide the implementation of ERM at 3sHealth and:

- Review and approve proposed changes to the ERM Policy and Framework, including the responsibilities of the Risk Management Committee;
- Review and approve the Corporate Risk Register;
- Review and approve risk mitigation strategies and target risk levels;
- Review and approve the ERM quarterly reports;
- Promote risk awareness within the organization; and
- Ensure that risk management is practiced in accordance with overall strategic objectives and in line with organizational policy.

Risk Management Committee

The Risk Management Committee (RMC) is a standing committee of 3sHealth management, established to identify, assess, monitor, and manage risk. The RMC provides general guidance and recommendations to the SLT on the implementation of ERM, and on matters of risk management that impact on 3sHealth strategies and objectives. The RMC has the following specific responsibilities:

- Recommend an ERM framework for adoption by 3sHealth;
- Develop a glossary of ERM terminology for use across the organization;
- Identify and assess risks to strategic objectives;
- Prioritize risks for treatment;
- Develop and implement risk treatment plans; and
- Monitor and report on effectiveness of risk treatment plans.

Internal Audit and ERM Department

The Executive Director of Internal Audit and ERM provides support to the RMC by coordinating ERM activities, facilitating risk identification and assessment discussions, coaching

management in developing risk responses, consolidating reporting, and assisting with the development of risk strategies.

Going forward, Internal Audit and ERM will also develop processes to ensure the status of risks and risk treatment plans are monitored on a regular and ongoing basis as the ERM program matures. Quarterly reporting will be provided to the SLT and the Audit, Finance and Risk Committee of the Board. Organizational risk assessments will inform the development of the annual Internal Audit Plan.

Operational management / risk owners

Risk owners may or may not be members of the Risk Management Committee and/or the Senior Leadership Team. The overall responsibility of the risk owners is to assess and monitor risks within their area of corporate responsibility with support from the ERM team. Specifically, risk owners:

- Review identified risks with regard to risk tolerance;
- Ensure that mitigation strategies are prepared for risks outside of approved risk tolerance;
- Consider residual risk and act appropriately; and
- Monitor ongoing risk levels and the status of mitigation activities.

Key ERM activities in 2013-14

The Risk Management Committee was established in January 2013, and the ERM program at 3sHealth is therefore in an early phase of development. Since the beginning of 2013, the Risk Management Committee has:

- Developed a risk appetite statement, which was approved by SLT and the Board;
- Adopted the International Standards Organization (ISO) 31000 standard as its ERM framework;
- Developed a risk register format that includes a risk rating scheme;
- Identified and assessed risks to 3sHealth's strategic objectives at both the inherent and residual risk levels;
- Identified risk owners for each item listed in the risk register;
- Validated risk assessments with risk owners/operational management;
- Created heat maps; and
- Provided initial reporting to the Board of Directors.

Significant risk areas

Achieving targets

The mandate of 3sHealth includes specific goals aimed at lowering the health system's cost curve, bringing enhanced value to the system, and improving service quality. Specific targets have been established to ensure strategic goals and objectives are met. To maintain the appropriate level of focus on achieving targets, management has created a visibility wall

with visual reporting that is regularly updated and reviewed weekly by senior management, ensuring that corrective actions are implemented in a timely manner.

People / labour relations

The work of 3sHealth cannot be accomplished without sufficient human resources. The organization must therefore be able to recruit and retain an appropriately skilled workforce. In addition, the impacts of any changes to service delivery in the health system must be considered in light of the complex labour relations landscape within which the system operates. To mitigate these risks, 3sHealth is adjusting its internal human resource policies and procedures to better align with those of the health system. Representatives from human resources and labour relations functions across the system are included in the projects undertaken by 3sHealth.

Governance

The governance of the Saskatchewan healthcare system is complex, involving 14 separate organizations making decisions regarding the provision of health services. Each organization faces unique challenges in delivering health services and is accountable to its own Board as well as the Minister of Health. The complexities of the governance structure can affect the system's ability to make decisions concerning provincial services and standards, and can introduce risks around the successful implementation of changes The 2009 Patient First Review recommended the development of a shared services organization to provide enhanced economies of scale and scope while streamlining the governance structure for system-wide decision making. Established in April 2012, 3sHealth has been tasked with making recommendations for provincial shared services to support the healthcare system. As 3sHealth brings forward business cases with recommendations that leverage economies of scale and skill across the system, opportunities to enhance and improve the governance and decision-making processes have been identified.

2013-14 financial highlights

In the 2013-14 fiscal year, the organization focused on creating winning conditions, defining opportunities, and capturing value for patients. In order for 3sHealth to meet these strategic goals, the Finance department developed a balanced budget for the organization. The organization recorded revenues of $27.5 million and expenses of $27.4 million.

3sHealth financials can be separated into three categories: operations, business services, and custodial services.

- Operations are reported by function and include expenditures for research and development of business cases for new services. Funding for operations comes primarily from government funding and membership fees. Government funding has been consistent year-over-year, and 2013-14 membership fees increased three per cent over the prior year.
- 3sHealth provides business services, including staff scheduling, payroll, and the Nursing Information System Saskatchewan, to the health regions and Saskatchewan Cancer Agency (SCA).

- Custodial or specific recoveries for expenses relate to programs administered by 3sHealth, such as employee benefit plans, the provincial employee and family assistance plan, and purchasing rebates. Although a budget is prepared for these programs, 3sHealth is eligible to receive full recoveries for expenditures incurred on behalf of the programs. Purchasing rebates increased $600,000 over the prior year as a result of provincial agreements with vendors, and these savings were flowed through to health regions and the SCA.

3sHealth is committed to building the foundational capacity to support potential new service lines and additional employees. During 2013-14 3sHealth made capital investments in the implementation of WebEx, teleconferencing, and video conferencing for the benefit of the health system; upgrades to servers, email and phone systems, data centre technology, and finance systems; and implementation of a print optimization project. In addition, 3sHealth invested in meeting space for the system to work collaboratively towards provincial objectives.

An increase in business development costs and the seven business cases developed in 2013-14 reflects the organization's commitment to defining opportunities for the provincial healthcare system. Approximately $3.7 million was invested in resources to support the significant amount of work required to develop the business cases.

The organization maintains a strong financial position, ensuring that 3sHealth can continue its work of strengthening shared services in the province to improve service quality, ensure patient safety, and create cost savings in the future.

3sHealth
Shared Services Saskatchewan

800 - 2002 Victoria Avenue, Regina, Saskatchewan S4P 0R7 t. 306.347.5500 f. 306.525.1960

June 20, 2014

Management's Responsibility for Financial Statements

The Health Shared Services Saskatchewan (3sHealth) financial statements and all the information in the Annual Report are the responsibility of management and have been approved by the Board of Directors.

Management has prepared the financial statements in accordance with Canadian public sector accounting standards. Management is responsible for the reliability and integrity of the financial statements and other information contained in the Annual Report. The financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

Management maintains a comprehensive system of internal controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by the internal audit department.

Provincial Auditor Saskatchewan, the external auditor appointed by the Board of Directors, has audited the financial statements. The Auditor's Report outlines the scope of her examination and her opinion. The external auditor has unrestricted access to management and the Board of Directors to discuss results of the audit work and her opinion on the adequacy of internal financial controls and the quality of financial reporting.

Kendell Arndt
Vice-President, Strategic Information
& Corporate Services

Catherine Vu
Director,
Finance

Financial Statements of

Health Shared Services Saskatchewan

March 31, 2014

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Health Shared Services Saskatchewan (3sHealth), which comprise the statement of financial position as at March 31, 2014 and the statements of operations, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of 3sHealth as at March 31, 2014 and the results of its operations, changes in net assets, and cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Judy Ferguson

Regina, Saskatchewan
June 20, 2014

Judy Ferguson, FCA
Acting Provincial Auditor

1500 Chateau Tower – 1920 Broad Street Regina, Saskatchewan S4P 3V2
t 306.787.6398 f 306.787.6383 e info@auditor.sk.ca
} www.auditor.sk.ca

HEALTH SHARED SERVICES SASKATCHEWAN

Statement of Financial Position

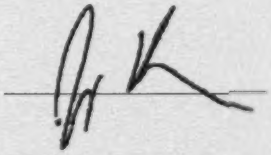
As at March 31

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	$ 3,417,922	$ 3,081,918
Short term investments (Note 4)	5,932,435	9,941,851
Accounts receivable	3,579,979	4,406,029
Prepaid expenses	377,869	310,638
	13,308,205	17,740,436
CAPITAL ASSETS (Note 5)	668,352	350,773
	13,976,557	18,091,209
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	4,546,477	7,956,504
Unearned revenue (Note 6)	169,197	385,793
Deferred contributions (Note 7)	6,009,380	6,564,208
	10,725,054	14,906,505
NET ASSETS		
Invested in capital assets	668,352	350,773
Internally restricted (Note 8)	528,222	1,263,786
Unrestricted	2,054,929	1,570,145
	3,251,503	3,184,704
	$ 13,976,557	$ 18,091,209

Contingencies (Note 15)

See accompanying notes

Approved by the Board of Directors:



HEALTH SHARED SERVICES SASKATCHEWAN

Statement of Operations

For the year ended March 31

		Budget 2014	2014	2013
REVENUE				
Membership Fees		$ 1,678,826	$ 1,701,003	$ 1,657,876
Funding by Ministry of Health (Note 7)		7,660,000	7,542,350	5,497,105
Cost Recoveries	- Employee Benefit Plans (Note 9)	7,293,431	6,740,859	5,515,547
	- Provincial EFAP (Note 11)	955,560	1,041,027	971,733
	- Staff Scheduling (Note 11)	791,237	681,925	437,134
	- Other recoveries	795,389	572,711	623,548
	- Other recoveries Ministry of Health (Note 7)	-	481,180	
Other Revenue	- Service revenue	4,225,930	4,291,136	3,646,595
	- GHX (Note 11)	1,022,055	1,247,673	1,515,853
	- Conference	-	-	245,294
	- Investment income (Note 4)	108,000	100,790	137,385
	- Purchasing Rebates	1,600,000	2,699,936	2,045,377
	- Other	356,040	373,614	86,067
TOTAL REVENUE		26,486,468	27,474,204	22,379,514
EXPENSES				
Administration		1,116,549	1,557,419	2,117,285
Business Development		1,328,202	1,320,175	616,114
Change Management and Performance		1,726,825	1,904,031	986,500
Employee Benefit Plans (Note 9)		7,293,431	6,740,859	5,515,547
Human Resources		123,916	52,794	110,541
Information Services		4,487,792	3,995,422	3,758,690
Integrated Communications & Marketing		888,109	915,076	601,143
(Gain)/Loss on disposal of capital assets		-	(250)	2,650
Materials Management		1,304,919	1,300,421	711,874
Strategic Information Systems		289,879	319,631	268,424
Specific program expenses:				
	Business Cases	3,292,774	3,734,658	3,226,512
	Provincial EFAP (Note 11)	955,560	1,041,027	971,733
	GHX (Note 11)	1,232,055	1,150,375	740,150
	Staff Scheduling (Note 11)	791,237	681,925	437,134
	Conference	-	-	218,148
	Purchasing Rebates	1,600,000	2,691,015	2,045,377
	Other	-	2,828	
TOTAL EXPENSES (Schedule 1)		26,431,248	27,407,406	22,327,822
EXCESS OF REVENUE OVER EXPENSES		$ 55,220	$ 66,798	$ 51,692

See accompanying notes

HEALTH SHARED SERVICES SASKATCHEWAN

Statement of Changes in Net Assets

For the year ended March 31

	2014				2013
	Invested in capital assets	Internally restricted	Unrestricted	Total	Total
Net assets, beginning of year	$ 350,773	$ 1,263,786	$ 1,570,145	$ 3,184,704	$ 3,133,012
Excess/(deficiency) of revenue over expenses	(185,387)	-	252,186	66,799	51,692
Transfer between funds for:					
Internal restrictions (Note 8)		(735,564)	735,564	-	-
Purchase of capital assets	502,966		(502,966)	-	-
Net assets, end of year	$ 668,352	$ 528,222	$ 2,054,929	$ 3,251,503	$ 3,184,704

See accompanying notes

HEALTH SHARED SERVICES SASKATCHEWAN

Statement of Cash Flows

For the year ended March 31

	2014	2013
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 66,798	$ 51,692
Items not involving cash:		
Amortization	185,387	142,089
(Gain)/Loss on disposal of equipment	(250)	2,650
Change in non-cash operating working capital items:		
Accounts receivable	826,050	1,327,826
Prepaid expenses	(67,231)	14,581
Accounts payable and accrued liabilities	(3,409,912)	5,218,319
Unearned revenue	(216,596)	(546,589)
Deferred contributions	(554,828)	(14,360,629)
Cash used in operating activities	(3,170,582)	(8,150,061)
CAPITAL ACTIVITIES		
Proceeds on disposal of capital assets	250	13,000
Purchase of capital assets	(502,966)	(225,801)
Cash used in capital activities	(502,716)	(212,801)
INVESTING ACTIVITIES		
Purchase of investments	(29,663,790)	(23,463,479)
Disposal of investments	33,673,092	33,952,314
Cash provided by investing activities	4,009,302	10,488,835
Increase in cash for the year	336,004	2,125,973
Cash, beginning of year	3,081,918	955,945
Cash, end of year	$ 3,417,922	$ 3,081,918

See accompanying notes

1. NATURE OF OPERATIONS

The Saskatchewan Association of Health Organizations (SAHO) was created pursuant to An Act to Incorporate Saskatchewan Health-Care Association enacted by the Legislative Assembly of Saskatchewan on January 28, 1976. On April 17, 2012, SAHO's operating name was changed to Health Shared Services Saskatchewan (3sHealth).

The purpose of 3sHealth is to provide province-wide shared services to support a high performing, sustainable, patient and family centred health system in Saskatchewan. 3sHealth also provides administrative services to the employee benefit plans (Note 9).

3sHealth is governed by a nine member board of directors who are appointed by the health system's Governing Council. The Governing Council consists of representatives from the Regional Health Authorities, the Saskatchewan Cancer Agency and affiliated members.

3sHealth is a not-for-profit organization, is not subject to income taxes under the *Income Tax Act of Canada*, and is a registered charity.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian public sector accounting (PSA) standards, issued by the Public Sector Accounting Board published by the Chartered Professional Accountants of Canada (CPA Canada). 3sHealth has adopted the standards for government not-for-profit organizations, set forth at PSA Handbook section PS 4200 to PS 4270. 3sHealth's financial statements are prepared in accordance with PSA standards, Section PS 2125.

a) Revenue recognition

3sHealth follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Membership fees are recognized as revenue in the year to which the fees relate. Any membership fees received in advance are deferred to the following fiscal year.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Capital assets

Capital assets are recorded at cost. Normal maintenance and repairs are expensed as incurred. Capital assets with a life exceeding one year are amortized on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	Term of lease
Furniture and equipment	4 – 10 years
Computer equipment	2 years

c) Retirement benefits

Eligible 3sHealth employees participate in the Saskatchewan Healthcare Employees' Pension Plan (SHEPP), a multi-employer defined benefit pension plan. 3sHealth's financial obligation as it relates to SHEPP is limited to making the required monthly contributions equivalent to 112% of the amount contributed by 3sHealth employees for current service.

d) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires that estimates and assumptions are made which affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimations.

e) Financial instruments

3sHealth has classified its financial instruments into one of the following categories: fair value or cost or amortized cost.

All financial instruments are measured at fair value upon initial recognition. The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's length transaction between knowledgeable and willing parties under no compulsion to act.

The following financial instruments are subsequently measured at cost or amortized cost:

- accounts receivable;
- short term investments; and
- accounts payable and accrued liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments (continued)

As at March 31, 2014, 3sHealth does not have any material outstanding contracts or financial instruments with embedded derivatives.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

f) Interest revenue

Interest earned on investments held for certain deferred contributions is added to deferred contributions when required by external restrictions. All other earned interest is recorded as income.

g) Allocation of expenses

Specific costs that are incurred directly by 3sHealth's departments are charged directly to the applicable area. It is necessary to allocate corporate overhead to each business function and service line to adequately determine the cost of delivering services.

The corporate overhead allocation includes costs from certain departments including administration, finance, internal audit, information services, etc. These costs are allocated based on estimated consumption of usage. They included building lease and operating costs, salaries, postage, courier, telephone, and printing costs. For fiscal 2013-14, the basis changed from allocating lease costs proportionately based on the area occupied by a department and personnel costs based on the percentage of time a particular position spends supporting various department(s) within 3sHealth to a new method.

The new, simple and scalable method of distributing corporate overhead costs is based on the percentage of budgeted expense and will be applied each year. Due to the limited number of business functions and service lines, management has reduced the corporate overhead allocation by an amount correlated to the administration functions.

3sHealth applied the new method of allocation prospectively as information for restating the comparative figures was not available.

Schedule 1 discloses the breakdown of 3sHealth's expenditures by type of expenditure while Note 14 provides details of the allocated expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Foreign currencies

Foreign currency transactions are translated into Canadian dollars using the transaction date exchange rate. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Exchange gains or losses arising on the translation of monetary assets and liabilities or sale of investments are included in the statement of operations in the year incurred.

3. FINANCIAL INSTRUMENTS

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that may affect the amount, timing, and certainty of future cash flows. Significant terms and conditions for the other financial instruments are disclosed separately in these financial statements.

b) Financial risk management

3sHealth has exposure to the following risk from its use of financial instruments: credit risk, market risk and liquidity risk.

c) Credit risk

3sHealth is exposed to credit risk from the potential non-payment of accounts receivable. The majority of 3sHealth's receivables are from regional health authorities, Saskatchewan Health – General Revenue Fund, or other Saskatchewan Crown agencies. 3sHealth is also exposed to credit risk from cash and short-term investments.

The carrying amount of financial assets represents the maximum credit exposure as follows:

	2014	2013
Cash	$ 3,417,922	$ 3,081,918
Short-term investments	5,932,435	9,941,851
Accounts receivable	3,579,979	4,406,029
	$ 12,930,336	$ 17,429,798

3. FINANCIAL INSTRUMENTS (continued)

c) Credit risk (continued)

3sHealth manages its credit risk surrounding cash and short-term investments by dealing solely with reputable banks and financial institutions, and utilizing an investment policy to guide their investment decisions. 3sHealth invests surplus funds to earn investment income with the objective of maintaining safety of principal and providing adequate liquidity to meet cash flow requirements.

d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect 3sHealth's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

i. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

3sHealth is exposed to minimal interest rate risk on its cash and short term investments.

ii. Foreign currency risk

3sHealth operates within Canada, but in the normal course of operations is party to transactions denominated in foreign currencies. Foreign exchange risk arises from transactions denominated in a currency other than the Canadian dollar, which is the functional currency of 3sHealth. 3sHealth believes that it is not subject to significant foreign exchange risk from its financial instruments.

3. FINANCIAL INSTRUMENTS (continued)

e) Liquidity risk

Liquidity risk is the risk that 3sHealth will not be able to meet all cash outflow obligations as they come due. The following policies and procedures are in place to mitigate this risk:

- 3sHealth maintains sufficient cash and short term investments to discharge future obligations as they come due; and
- Membership fee structure is reviewed annually and is approved by the Governing Council. Membership fees are used as base operational funding for the upcoming year.

The estimated contractual maturities of 3sHealth's financial liabilities are:

- up to two months for accounts payable; and
- one to twelve months for unearned revenues.

At March 31, 3sHealth has a cash balance of $3,417,922 (2013 - $3,081,918).

f) Fair value

The carrying amounts of these financial instruments approximate fair value due to their immediate or short-term nature:

- cash and short term investments;
- accounts receivable; and
- accounts payable and accrued liabilities.

4. SHORT TERM INVESTMENTS

		2014		2013	
Investment Type	Credit Rating	Cost	Market Yield (%)	Cost	Market Yield (%)
Short term funds	R1 High to R1 Mid	$ 5,932,435	0.96 – 1.21	$ 9,941,851	0.96 – 1.21

	2014	2013
Total investment income earned in the year	$ 108,879	$ 150,085
Less: amount allocated to deferred contribution accounts	(8,089)	(12,700)
Total investment income recognized as revenue	$ 100,790	$ 137,385

4. SHORT TERM INVESTMENTS (continued)

3sHealth invests its excess cash in a fund that invests in high quality money market securities that mature in one year or less. The securities are primarily denominated in Canadian dollars but may be issued by Canadian or foreign entities. The net asset value of the units of the fund is calculated daily. At March 31, 2014, there is no unrealized gain/loss on the value of this investment as the unit cost value equals the unit market value (2013 - $nil).

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2014	Net Book Value 2013
Leasehold Improvements	$ 323,102	$ 262,472	$ 60,630	$ 98,800
Furniture and Equipment	1,960,533	1,445,141	515,392	217,473
Computer Equipment	1,695,510	1,678,180	17,330	34,500
Work in Progess - software development	75,000	-	75,000	-
	$ 4,054,145	$ 3,385,793	$ 668,352	$ 350,773

For the year ended March 31, 2014 total amortization of $185,387 (2013 – $142,089) is included in the Unrestricted Fund in Schedule 1 and the Statement of Operations as Administration expenses.

6. UNEARNED REVENUE

	Balance, beginning of year	Recognized during the year	Amount received	Investment revenue restricted	Transfers	Balance, end of year
Nursing Information Systems Saskatchewan (NISS) membership revenue	74,958	(162,045)	171,117	-	-	84,030
Other	310,835	(1,247,673)	1,022,005	-	-	85,167
TOTAL	**$ 385,793**	**$ (1,409,718)**	**$ 1,193,122**	**$ -**	**$ -**	**$ 169,197**

7. DEFERRED CONTRIBUTIONS

Deferred contributions represent contributions received specific to programs' expenditures to be incurred in future periods.

	Balance, beginning of year	Recognized during the year	Amount received	Investment revenue restricted	Transfers	Balance, end of year
MDS Software	$ 1,140,401	$ (157,870)	$ -	$ -	$ -	$ 982,531
Health Shared Services	860,157	(6,539,030)	6,002,200	-	-	323,327
Linen Transition	-	(1,003,320)	600,000	-	1,000,000	596,680
CPS Emergency Medical	1,000,000	-	-	-	(1,000,000)	-
Other programs funded by the Ministry of Health	823,359	(323,310)	-	-	-	500,049
Funded by the Ministry of Health	**3,823,917**	**(8,023,530)**	**6,602,200**	**-**	**-**	**2,402,587**
HRMS Enhancements	133,425	(165,113)	351,822	-	-	320,134
Employee Benefit Plans	511,112	(29,803)	41,293	1,583	-	524,185
Health Spending	1,314,559	(739,987)	778,487	6,506	-	1,359,565
Enterprise Resource Planning	-	(21,409)	850,000	-	-	828,591
Other programs funded by other sources	781,195	(2,070,287)	1,863,410	-	-	574,318
Funded by other sources	**2,740,291**	**(3,026,599)**	**3,885,012**	**8,089**	**-**	**3,606,793**
TOTAL	$ 6,564,208	$ (11,050,129)	$ 10,487,212	$ 8,089	$ -	$ 6,009,380

Details of the deferred contributions included in the table are as follows:

a) MDS Software

The MDS Software deferred contributions represent amounts received from the Ministry of Health for the ongoing support and implementation of the Minimum Data Set (MDS) for long term care and home care on behalf of all regional health authority boards. In addition to purchasing system support and training, the amounts are used to purchase licenses for MDS software on behalf of regional health authority boards and, in conjunction with the Ministry of Health, works to develop new MDS initiatives as required by regional health authorities.

b) Health Shared Services

The Health Shared Services deferred contribution represents amounts received from the Ministry of Health to support future initiatives for shared services within the Saskatchewan health care system.

c) Linen Transition

The Linen Transition deferred contribution represents amounts received from the Ministry of Health to support the transition of linen services to a provincial shared service model.

7. DEFERRED CONTRIBUTIONS (continued)

d) GPS Emergency Medical

The GPS Emergency Medical deferred contribution represents amounts received from the Ministry of Health to support the review and replacement of GPS equipment in the province's ambulances. The Ministry of Health approved the transfer of this deferred contribution to the Linen Transition.

e) HRMS Enhancements

The HRMS Enhancements deferred contributions represent enhancement fees charged to employers who subscribe to the 3sHealth Human Resource Management System (HRMS) services. The enhancement fees are specifically charged and deferred for enhancements and acquisition/development of improvements to the HRMS. The use of these enhancement fees is governed by the HRMS Steering Committee which is made up of representatives of the health regions.

f) Employee Benefit Plans

The Employee Benefit Plans deferred contributions represent amounts that 3sHealth holds in trust for employee benefit plans, including the 3sHealth Retiree Benefits Plan (Plan) in the amount of $366,285 (2013 – $330,800). The funds held for the Plan are received for administrative expenses that are incurred by 3sHealth on the Plan's behalf. The Plan is an insured health, dental and travel benefit plan for retirees of 3sHealth or its member organizations.

g) Health Spending

The Health Spending deferred contributions represent amounts received from participating employers on behalf of out-of-scope employees. These contributions can be used to reimburse the participating employee and their spouse/dependents for any out-of-pocket health and dental expenses that are not covered by the 3sHealth Out-of-Scope Extended Health/Enhanced Dental Plan but meet the requirements of a medical expense in accordance with the Income Tax Act.

8. INTERNALLY RESTRICTED FUNDS

	Balance, Beginning of Year	Transferred	Recognized	Balance, End of Year
Building/Leasehold Improvements	$ 528,222	$ -	$ -	$ 528,222
Payroll System Enhancements	7,260	(7,260)	-	-
Payroll System Testing	66,429	(66,429)	-	-
External Network Testing	46,800	(46,800)	-	-
Foundational Improvements	495,000	(23,034)	(471,966)	-
VOIP Implementation	24,200	(24,200)	-	-
Transition	95,875	(95,875)	-	-
	$ 1,263,786	$ (263,598)	$ (471,966)	$ 528,222

During the year, $471,966 was recognized for capital purchases for the foundational improvements of 3sHealth. This included $331,059 for virtual computing platforms, $65,907 for multifunction photocopier/scanner, and $75,000 for accounting software upgrade. The remaining $263,598 was approved by the Board to be unrestricted as the projects/programs were substantially completed.

9. EMPLOYEE BENEFIT PLANS TRANSACTIONS AND ASSETS UNDER ADMINISTRATION

Included in these financial statements are expenses of $6,740,859 (2013 – $5,515,547) relating to the operation of the following employee benefit plans (EBP's). These expenses are fully recovered and are reflected in the Statement of Operations as Cost Recoveries - Employee Benefit Plans. Accounts receivable includes $667,780 (2013 – $681,984) due from EBP's while accounts payable includes $227,278 (2013 – $277,500) related to expenses for the EBP's.

The fair value and the surplus/deficit of the EBP's under 3sHealth's administration at December 31 are:

	2014		2013	
	Fair Value	Surplus	Fair Value	Surplus
Disability Income Plan - CUPE	$ 54,053,701	$ 25,118,986	$ 43,068,900	$ 11,932,600
Disability Income Plan - SEIU	44,909,443	19,914,273	39,005,400	17,588,800
Disability Income Plan - General	45,528,859	16,709,765	40,515,300	14,085,400
Disability Income Plan - SUN	63,824,100	25,697,778	51,068,600	12,671,400
Core Dental Plan	18,839,438	16,677,422	16,727,900	14,521,400
In-Scope Extended Health / Enhanced Dental Plan	109,844,508	105,409,722	95,839,600	89,970,900
Out-of-Scope Extended Health / Enhanced Dental Plan	8,987,204	8,445,948	7,682,000	6,893,200
Group Life Insurance Plan	41,415,714	9,516,988	34,712,800	2,441,200
	$ 387,402,967	$ 227,490,882	$ 328,620,500	$ 170,104,900

10. RETIREMENT BENEFITS

Pension expense for the year amounted to $680,461 (2013 – $607,700).

11. COST RECOVERIES AND OTHER REVENUE

Certain cost recoveries and other revenue represent specific programs as follows:

a) Provincial EFAP

The provincial employee family and assistance program (EFAP) is a voluntary, confidential, short-term counseling and advisory service that connects individuals and their immediate family members to a network of dedicated professionals who are available to provide assistance 24 hours a day. The program is available to all employees of participating healthcare organizations. 3sHealth manages the agreement with a provincial support provider and costs for this service are distributed to organizations based on the number of employees. Revenue is recorded only upon the expenditures being incurred.

b) Staff Scheduling

The Staff Scheduling program is the development of standardized staffing terms and processes for health care providers in the province. 3sHealth manages the software application and revenue is recorded only upon the expenditures being incurred.

c) GHX

Global Healthcare Exchange (GHX) hosts an electronic data exchange application that provides electronic procurement of health care supplies in the province. 3sHealth manages the agreement with GHX to provide provincial support and the annual subscription fees to GHX. Costs for these services are distributed to the health regions based on the percentage of provincial spending.

12. BOARD EXPENSES

3sHealth Board Members incurred the following travel and per diem expenses for the year ended March 31, 2014. Amounts reimbursed by 3sHealth, which are recorded in Administration expenses in the Statement of Operations, are as follows:

	Board Travel	Per Diems	Total
Barber, Brian	$ 1,462	$ 11,000	$ 12,462
Harper, Rennie	5,316	14,000	19,316
Jeworski, Kyle	846	7,500	8,346
Knelsen, Karen	2,821	13,500	16,321
Kook, Grant	-	4,000	4,000
Meredith, Twyla	-	2,667	2,667
Rhode, Jim	3,885	17,687	21,572
Shaw, Arnie	1,348	8,200	9,548
Sousa, Steve	189	-	189
	$ 15,867	$ 78,554	$ 94,421

13. RELATED PARTY TRANSACTIONS

These financial statements include transactions with related parties. 3sHealth is indirectly related to all Saskatchewan Crown agencies such as ministries, corporations, boards, and commissions under the common control of the Government of Saskatchewan. 3sHealth is also indirectly related to non-Crown enterprises that the Government jointly controls or significantly influences.

Transactions with these related parties are in the normal course of operations. Amounts due to or from and the recorded amounts of transactions resulting from these transactions are included in the financial statements and the table below. They are recorded at the agreed upon exchange rates charged by those organizations and are settled on normal trade terms.

13. RELATED PARTY TRANSACTIONS (continued)

	2014	2013
Revenue		
Regional Health Authorities	$ 5,474,201	$ 9,143,223
Ministry of Health	8,023,530	7,140,090
Ministry of Finance	258	307
eHealth Saskatchewan	65,406	163,888
Saskatchewan Cancer Agency	91,458	254,144
Saskatchewan Healthcare Employees' Pension Plan	79,288	75,356
SaskTel	3,264	-
	$ 13,737,405	$ 16,777,008
Expenses		
Regional Health Authorities	$ 2,045,760	$ 4,997,937
Ministry of Finance	17,313	153,499
eHealth Saskatchewan	92,994	-
Saskatchewan Cancer Agency	6,913	212,810
SaskTel	106,252	131,148
	$ 2,269,232	$ 5,495,394
Accounts Receivable		
Regional Health Authorities	$ 2,517,998	$ 3,653,740
SAHO Inc.	19,940	8,061
Ministry of Health	1,658	60,464
eHealth Saskatchewan	101,707	326,558
Saskatchewan Cancer Agency	68,230	52,300
Saskatchewan Healthcare Employees' Pension Plan	328	-
	$ 2,709,861	$ 4,101,123
Accounts Payable		
Regional Health Authorities	$ 571,963	$ 258,554
SAHO Inc.	661,034	5,594,400
Ministry of Central Services	1,601	-
eHealth Saskatchewan	168,869	-
Saskatchewan Cancer Agency	-	5,000
SaskTel	52,778	195,818
Saskatchewan Healthcare Employees' Pension Plan	-	89,020
	$ 1,456,245	$ 6,142,792

3sHealth pays Saskatchewan Provincial Sales Tax to the Saskatchewan Ministry of Finance on all of its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

14. ALLOCATION OF EXPENSES

Corporate overhead allocated to business functions and service lines totalled $3,904,556 (2013- $1,209,800).

	2014	2013
Administration	$ -	$ 17,600
Business Development	317,674	-
Change Management and Performance	378,401	-
Employee Benefit Plans	1,657,839	849,700
Information Services	1,007,107	298,000
Materials Management	283,542	-
Integrated Communications and Marketing	197,087	44,500
Strategic Information Systems	62,906	-
	$ 3,904,556	$ 1,209,800

See note 2g) for change in method of allocation.

15. CONTINGENCIES

3sHealth is named as a defendant in certain lawsuits. Although the outcomes of such lawsuits are not determinable as of the date of these financial statements, in the opinion of management, they will not materially impact 3sHealth's operations, and no provision has been made for them in the accounts.

16. FUTURE COMMITMENTS

3sHealth has entered into agreements to lease office space in Regina and Saskatoon. Both leases expire in 2016. 3sHealth is also responsible for its proportionate share of operating costs of the building and property taxes under these leases. The future minimum lease payments, in each fiscal year, are as follows:

2015	$ 238,500
2016	$ 197,700

17. BUDGET

The 3sHealth board approved the 2013-14 budget plan on March 26, 2013.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

HEALTH SHARED SERVICES SASKATCHEWAN

Schedule 1 - Schedule of Expenses By Object

For the year ended March 31

	2014	2013
Administrative Service Contracts - Employee Benefit Plans	$ 936,055	$ 743,092
Amortization	185,387	142,089
Audio-visual program	855	-
Bank charges	5,187	5,816
Building expenses	874,965	657,689
Conference and annual meeting	203	219,346
Equipment and computers	1,166,916	240,038
Fund managers- Employee Benefit Plans	316,605	307,756
Gain on disposal of capital asset	(250)	-
Insurance	38,323	37,502
Legal	744,147	346,854
Loss on disposal of capital asset	-	2,650
Membership fees	155,486	122,666
Office expenses	369,836	186,219
Other	400,564	
Postage and courier	127,423	136,628
Printing	68,504	64,862
Professional services	3,027,232	3,323,069
Professional services - Employee Benefit Plans	2,814,960	918,121
Purchasing rebates	2,691,015	2,044,990
Salaries and related benefits	9,904,877	7,716,092
Staff scheduling project	681,925	438,478
Strategic Information Systems projects	626,899	2,399,869
Subscriptions and publications	32,061	24,493
System support and development	1,585,323	1,675,374
Telephone	143,815	118,259
Travel - board and expenses	110,700	161,690
Travel - committee and expenses	81,680	30,212
Travel and training - staff	306,594	244,654
Workshops	10,119	19,314
TOTAL EXPENSES	$ 27,407,406	$ 22,327,822

See accompanying notes

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Shared Services Saskatchewan

3sHealth
800 - 2002 Victoria Avenue,
Regina SK S4P 0R7
306 347-5500